



# US Imported Beef Market

## A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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### Market Highlights for the Week:

- Imported beef prices moved higher this week as end users were squeezed by very short supplies in the spot market and escalating prices for domestic beef
- Prices for fat beef trimmings jumped 30 cents and now close to the all time record levels established in the summer of 2014
- US packers struggling to source cattle following snow storm in key regions that left muddy pens and could negatively impact availability of market ready cattle
- US fed cattle futures up almost 20% in the last month

### Imported Market Activity for the Week

Prices for imported lean grinding beef continued to escalate this week as spot availability appears to be almost non-existent. Domestic beef prices have jumped higher, reminiscent of the market moves in 2014. There has been an atmosphere of panic in the last few days as end users scramble to get enough product around them going into the important Memorial Day holiday (last Monday in May). We think the situation in the domestic beef market is particu-

larly important and discuss this at length on page 2. But often a picture is worth a thousand words and the chart below we think makes the point. The chart below shows the June 2017 fed cattle futures contract, which is basically what the market thinks fed cattle will be worth in June. As you can see, since bottoming last fall futures have had to steadily increase price expectations. Last fall futures participants were thinking fed cattle in June 2017 would be worth around \$92/cwt. Today they think they will be worth \$130, a 41% appreciation. Cattle price infla-

### June 2017 Live Cattle Futures. Chicago Mercantile Exchange

3-May-2017

@LEM17

La= 130.050

H = 130.050

L = 127.000

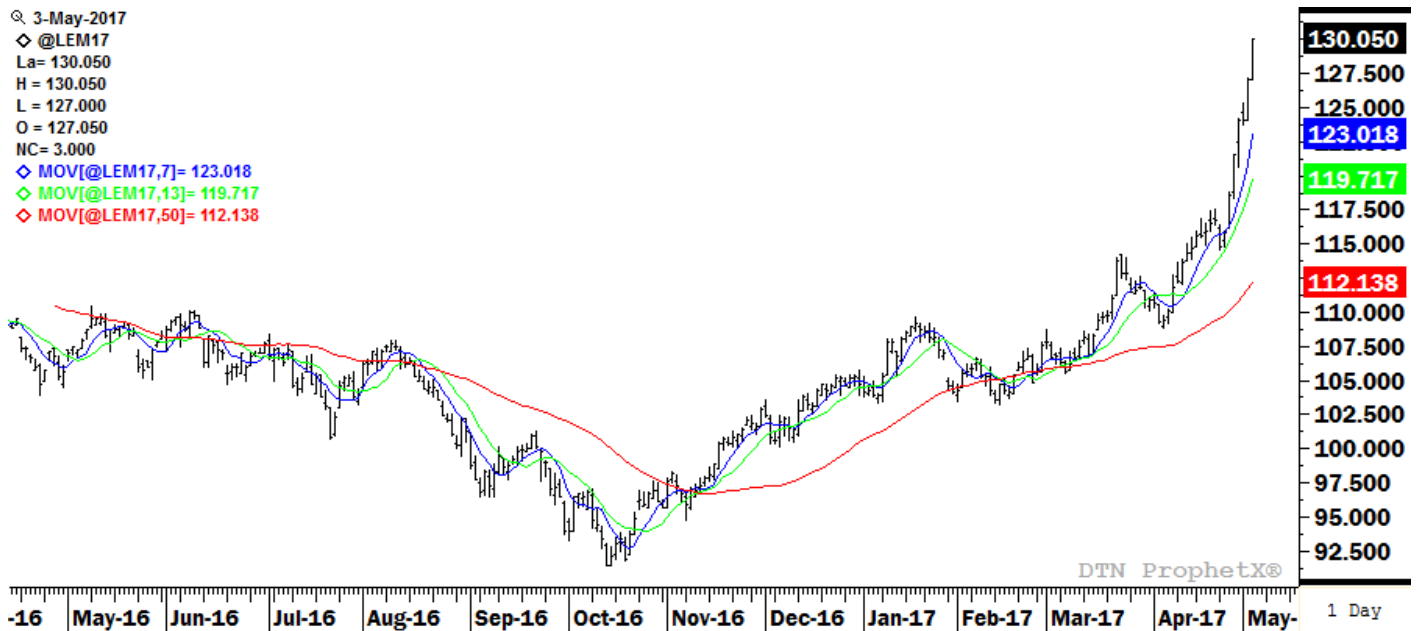
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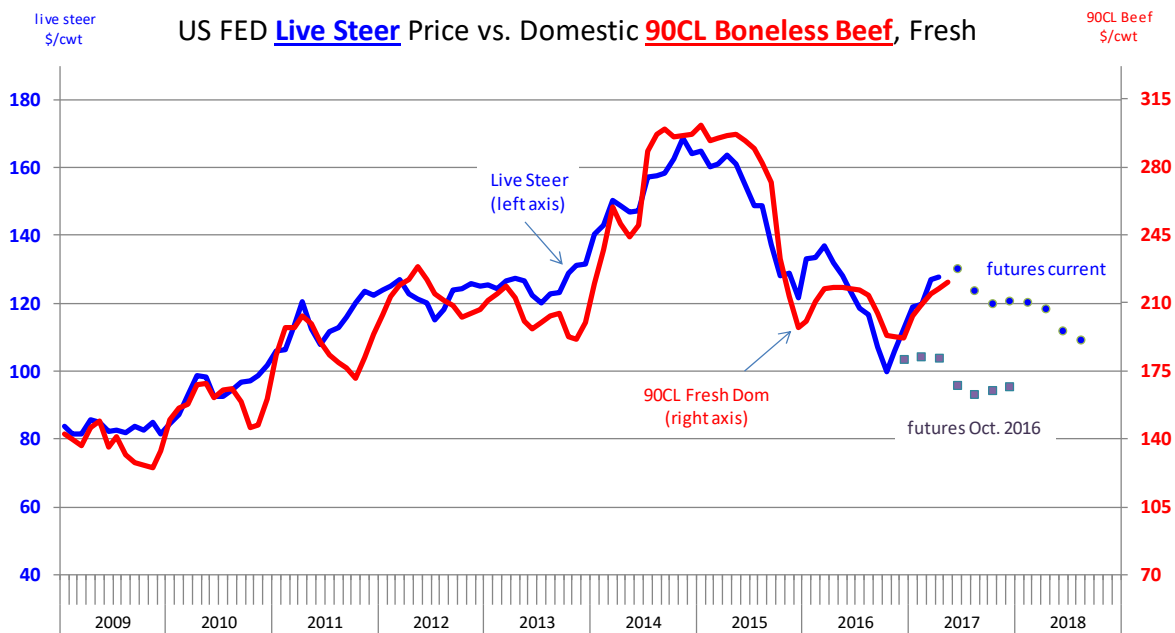
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tion has accelerated in the last few weeks. Since the start of April, fed cattle futures are up 20%.

### [Imported beef market situation](#)

Market participants continue to point out that pricing currently dictated by very limited spot supplies and the higher prices for domestic product. Deliveries for late in July and July currently hold a discount to the current market but even for those time periods market participants noted that it has become increasingly difficult to get offerings. New Zealand cow numbers have been much smaller than previously thought, which has limited supplies. Australia shipments, as we expected, were down about 38% in April. Higher US beef prices and an expected modest increase in slaughter should bring a few more loads into the US in May and June but overall volumes are not expected to increase substantially due to the lack of cattle availability in Australia and exceptionally high cattle prices. Fat beef prices in the US have increased sharply and market participants were struggling to establish workable price levels. US 50CL beef trim prices rose by as much as 30 cents per pound this week and they are now approaching all time record highs. USDA quoted the weighted average price for 50CL beef at a little over \$1.38 per pound. Hard to conceive that just a few months ago this product was selling in the low 30 cent area and some fatter grinds were selling at rendering value. Higher prices for fat trimmings have changed the valuation for other fatty trim products. The only challenge is that end users do not see current prices as sustainable and are looking to fill short term needs rather than book significant volumes forward

### [US Domestic beef market situation](#)

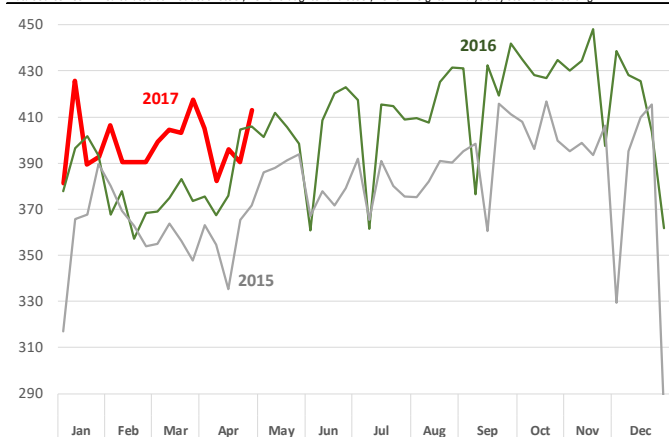
The June fed cattle futures contract closed tonight at \$130.05/cwt., \$20 (+18%) higher than where it was priced about a month ago. Much of those gains have been realized in the last few days as **US packers struggle to maintain slaughter schedules in light of extremely current feedlot inventories. Extreme weather events in cattle country in recent days further compounded the issue and they are expected to cause short term disruptions and further impact cattle weights.** While often the focus is on the number of cattle coming to market, market participants would do well to pay more attention to the actual pounds available in the market at a given time. US cattle slaughter last week was 624,000 head, 5.5% higher than a year ago. That's a relatively big number. But how many pounds of beef did we actually harvest and how many pounds were available to market participants in the spot market? It is a good question and one needs to look a little behind the headline USDA numbers to try and answer. USDA pegged total beef production for last week at 501.2 million pounds, 4.4% higher than last year. This number is calculated as the product of estimated slaughter and estimated weights. It includes both beef from fed cattle as well as beef from cows and bulls. Fed beef production last week likely did not show the same kind of increase as what the total slaughter would indicate but we do not have actual data from USDA to calculate it. Here's what our estimates show. Steer and heifer slaughter for the week likely was around 500,000 head. Out of this number, around 335,000 head were steers and around 165,000 head were heifers. We think steer weights for the week were likely around 844 pounds

compared to 848 pounds two weeks ago and we may be a bit high on this. Heifer weights are estimated at 790 pounds. Based on these estimates, steer/heifer (fed) beef output for the week was 413.1 million pounds, only 1.7% higher than the previous year. Subtract from this the positive trade balance (more exports than imports) and the supply of fed beef in the market today may not be much higher than it was last year

Beef production may have not increased compared to last year but does that justify some of the big price tags currently on cattle and boxes. Probably not but in the short term it does not matter. End users coming into the spot market to fill Memorial Day needs are finding that a significant portion of the supply is spoken for. This is in part due to packers having sold more beef on a forward basis than before (see second chart to the right) and also because retailers and foodservice operators likely budgeted for lower prices and adjusted retail promos and menu prices accordingly. Short term demand for beef tends to be fairly inelastic as packers have orders they have to fill and retailers/foodservice operators need to deliver on what printed in menus and retail circulars. Here's an anecdote that makes the point. Last night walking around the meat case in the local supermarket I noticed sirloin tips offered at \$5.99 if you bought three pounds or more. The price quoted by USDA for sirloin flap meat (the product for this retail cut) was \$6.14. Not only was the retail price under wholesale, it was priced in such a way as to move volume. The product likely was booked early and the packer now needs to find the cattle to meet this commitment. Faced with escalating cattle prices packers have been steadily rising asking prices for spot meat as well as for forward bookings. In the last USDA weekly report we saw a sharp pullback in the number of loads booked 22-60 days out (see chart) and product booked for further out also was down substantially. The number of loads traded in the spot market has been quite low in recent weeks. For the week ending April 28, 281 choice beef loads were traded in the negotiated market compared to 396 the previous year. **Tight spot supplies have forced users to bid up prices.** One of the best examples of this is the value of 50CL, as mentioned earlier. What market participants will debate in the coming weeks is how quickly the sharply higher prices ration out demand.

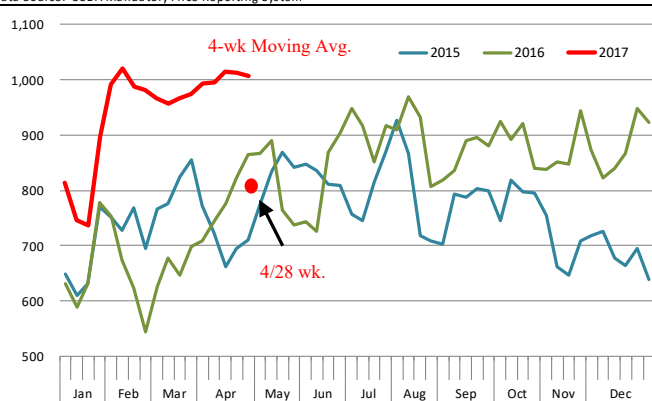
### STEER AND HEIFER BEEF PRODUCTION, MILLION POUNDS

Data Source: USDA. Calculated as Product of Steer/Heifer Slaughter and Steer/Heifer Weights. Analysis by Steiner Consulting



### Beef Loads Sold For Delivery 22 - 60 Days. 4-WK MA

Data Source: USDA Mandatory Price Reporting System



### US Domestic Price Summary

Prices for 90CL boneless beef were quoted at 223 US cents on the top side, 2 cent higher than a week ago and 3 cents higher than year ago levels. **The weighted average price tonight was quoted at 221, 2 cent higher than a week ago.** 85CL beef trim prices on the top side were quoted tonight at 214 cents, 17 cent higher than last week and 18 cents higher than last year. The weighted average price for 85CL beef was 196 cents a pound, 7 cents higher than a week ago. 50CL beef price was 145 cents on the high side, 30 cent higher than a week ago and 88 cent higher than last year. On a weighted average basis, the price of 50CL beef is now 138 cents, about 30 cents higher than last week

Prices for 42CL pork trim were steady to lower compared to a week ago but still about 20 cents under last year. Large hog numbers continue to keep the market for pork well supplied.

# CME Cattle Feeder Index and US Cattle Markets

## Special Live Animal Reference Price

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	2-May-17	25-Apr-17		3-May-16	
CME FEEDER CATTLE INDEX	142.98	139.44	2.5%	143.38	-0.3%
	3-May-17	26-Apr-17		4-May-16	
FED STEER (5-MKT AVG)	136.31	131.60	3.6%	123.53	10.3%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	124.00	122.00	1.6%	143.00	-13.3%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	121.50	118.50	2.5%	137.00	-11.3%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	110.50	108.50	1.8%	129.00	-14.3%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	172.63	170.52	1.2%	173.39	-0.4%

### CME Feeder Cattle Index



Source: Chicago Mercantile Exchange

**TABLE 2 – IMPORTED BEEF PRICES, 7:45 DAYS, CIF**

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	3-May-17	26-Apr-17				4-May-16		
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	234.0	235.0	229.0	231.0	4.0	216.0	217.0	18.0
<b>90 CL Blended Cow</b>	212.0	215.0	210.0	212.0	3.0	203.0	205.0	10.0
<b>90 CL Shank</b>	210.0	212.0	208.0	210.0	2.0	200.0	204.0	8.0
<b>85 CL Fores</b>	200.0	202.0	191.0	194.0	8.0	180.0	182.0	20.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	233.0	234.0	228.0	230.0	4.0	215.0	217.0	17.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, CIF</u></b>								
<b>85 CL Trimmings</b>	199.0	201.0	190.0	191.0	10.0	179.0	180.0	21.0
<b>80 CL Trimmings</b>	175.0	177.0	170.0	175.0	2.0	160.0	161.0	16.0
<b>75 CL Trimmings</b>	165.0	166.0	161.0	163.0	3.0	136.0	137.0	29.0
<b>65 CL Trimmings</b>	135.0	140.0	130.0	135.0	5.0	100.0	101.0	39.0
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	280.0	285.0	275.0	280.0	5.0	285.0	290.0	-5.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		UNQ		UNQ	N/A	220.0	225.0	N/A
<b>Steer Knuckles</b>	250.0	255.0	245.0	250.0	5.0	230.0	235.0	20.0

**TABLE 3 – IMPORTED BEEF PRICES, 7:45 DAYS, US WAREHOUSE**

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	3-May-17		26-Apr-17			4-May-16		
<b><u>US East Coast Australian/NZ Lean, FOB US Port</u></b>								
<b>95 CL Bull, E. Coast</b>	239.0	242.0	239.0	241.0	1.0	223.0	225.0	17.0
<b>90 CL Blended Cow</b>	224.0	225.0	221.0	223.0	2.0	212.0	215.0	10.0
<b>90 CL Shank</b>	217.0	218.0	217.0	218.0	0.0	207.0	209.0	9.0
<b>85 CL Fores</b>	207.0	208.0	201.0	204.0	4.0	187.0	189.0	19.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	238.0	241.0	238.0	240.0	1.0	223.0	224.0	17.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, FOB US Port</u></b>								
<b>85 CL Trimmings</b>	205.0	207.0	200.0	202.0	5.0	186.0	187.0	20.0
<b>80 CL Trimmings</b>	185.0	187.0	180.0	182.0	5.0	166.0	168.0	19.0
<b>75 CL Trimmings</b>	169.0	170.0	167.0	168.0	2.0	142.0	145.0	25.0
<b>65 CL Trimmings</b>	140.0	145.0	135.0	137.0	8.0	102.0	103.0	42.0
<b><u>US East Coast Australian Cuts, FOB US Port</u></b>								
<b>Cap Off Steer Insides</b>	285.0	290.0	280.0	285.0	5.0	290.0	300.0	-10.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		UNQ		UNQ	N/A	230.0	235.0	N/A
<b>Steer Knuckles</b>	255.0	262.0	255.0	260.0	2.0	245.0	250.0	12.0

**TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES**

	Current Week		Prior Week		Change From Last Week		Change from Last Year			
	3-May-17	26-Apr-17				Last Year		4-May-16		
<b><u>Domestic Cutouts</u></b>										
Choice Cutout	232.59	219.18			13.4			204.74	27.9	
Select Cutout	214.89	205.72			9.2			195.65	19.2	
<b><u>Domestic Lean Grinding Beef</u></b>										
90 CL Boneless	219.0	223.0	218.0	221.0	2.0			216.0	220.0	3.0
85 CL Beef Trimmings	193.0	214.0	192.2	197.0	17.0			171.0	196.0	18.0
50 CL Beef Trim	128.3	145.1	106.9	115.1	30.0			46.0	57.0	88.1
<b><u>Domestic Pork Trim</u></b>										
42 CL Pork Trim	31.0	43.3	30.1	42.3	1.0			49.3	57.3	-14.0
72 CL Pork Trim	69.0	80.1	70.0	88.3	-8.2			74.0	99.3	-19.2
<b><u>Point of Lean Values</u></b>										
90 CL Domestic	247.8		245.6		2.2			244.4		3.3
50 CL Beef Trimming	290.3		230.2		60.1			114.0		176.3
42 CL Pork Trim	103.0		100.6		2.4			136.3		-33.3
72 CL Pork Trim	111.2		122.6		-11.4			137.8		-26.7
<b><u>National Direct Fed Steer</u></b> <b><u>(5-day accum. wt. avg. price)</u></b>	136.31		131.60		4.7			123.53		12.8

**TABLE 5 – FUTURES AND SLAUGHTER INFORMATION**

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	<b>3-May-17</b>	<b>26-Apr-17</b>			<b>4-May-16</b>	
<u>Live Cattle Futures</u>						
June '17	118.525	115.875	↑	2.65	117.800	↑ 0.73
August '17	114.775	112.225	↑	2.55	114.700	↑ 0.08
October '17	113.750	111.350	↑	2.40	114.375	↓ -0.63
December '17	114.600		↑	114.60	114.325	↑ 0.27
<u>Feeder Cattle Futures</u>						
May '17	142.075	140.100	↑	1.97	145.075	↓ -3.00
August '17	145.850	142.775	↑	3.07	144.300	↑ 1.55
September '17	146.275	142.750	↑	3.53	144.375	↑ 1.90
October '17	145.525		↑	145.53	144.375	↑ 1.15
<u>Corn Futures</u>						
May '17	359	361 1/2	↓	-2.50	380 3/4	↓ -21.75
July '17	366 3/4	368	↓	-1.25	384 3/4	↓ -18.00
September '17	373 3/4	375 1/2	↓	-1.75	385 1/2	↓ -11.75
December '17	384 1/4	385 3/4	↓	-1.50	390 1/2	↓ -6.25
<u>Ch Wheat Futures</u>						
May '17	407 3/4	420 3/4	↓	-13.00	474 1/4	↓ -66.50
July '17	426 1/2	435 1/2	↓	-9.00	483 1/2	↓ -57.00
September '17	439 1/4	449 1/2	↓	-10.25	493 1/4	↓ -54.00
December '17	462	471 1/5	↓	-9.20	510 1/4	↓ -48.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	<b>3-May-17</b>	<b>26-Apr-17</b>			<b>4-May-16</b>	
<u>Total Cattle Slaughter</u>	612,000	603,000	↑	9,000	586,000	↑ 26,000
	<b>15-Apr-17</b>	<b>8-Apr-17</b>			<b>16-Apr-16</b>	
<u>Total Cow Slaughter</u>	102,542	108,314	↓	-5,772	104,200	↓ -1,658
<u>Dairy Cow Slaughter</u>	54,053	57,455	↓	-3,402	54,600	↓ -547
<u>Beef Cow Slaughter</u>	48,489	50,859	↓	-2,370	49,600	↓ -1,111



# TABLE 7 - US BEEF IMPORTS (Source: USDA/AMS)

## YTD Imported Meat Passed for Entry in the US

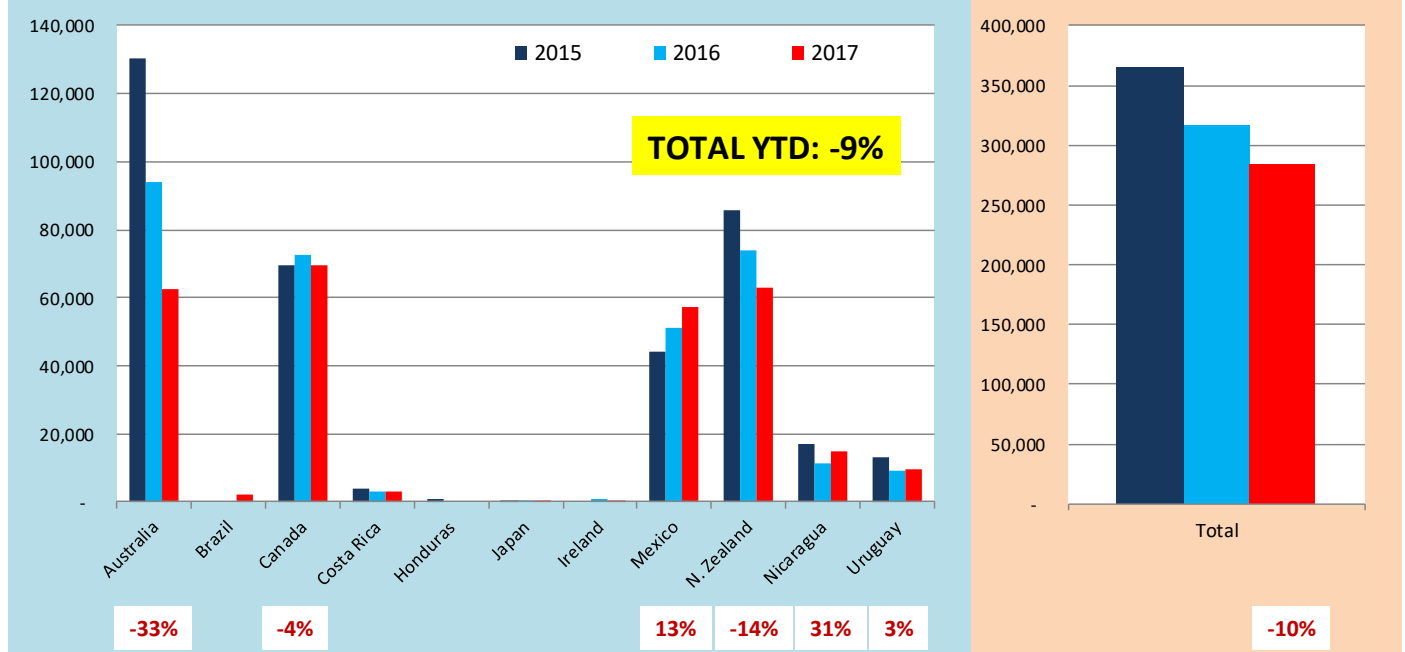
week 15	4/16/2016	4/22/2017		
Australia	93,957	62,602	(31,355)	-33.4%
Brazil		2,364		
Canada	72,747	69,655	(3,092)	-4.3%
Chile	163	136	(27)	-16.6%
Costa Rica	3,066	3,023	(43)	-1.4%
Honduras			-	
Japan	64	95	31	48.4%
Ireland	908	650	(258)	-28.4%
Mexico	50,996	57,489	6,493	12.7%
New Zealand	73,720	63,036	(10,684)	-14.5%
Nicaragua	11,169	14,682	3,513	31.5%
Uruguay	9,380	9,666	286	3.0%
<b>Total</b>	<b>316,169</b>	<b>283,500</b>	<b>(32,669)</b>	<b>-10.3%</b>

Source: USDA/FSIS

### US Beef Imports. Metric Ton. Data Source: USDA/Agricultural Marketing Service

Imports as of April 22, 2017

Individual Country Volume. MT & Y/Y % Ch.

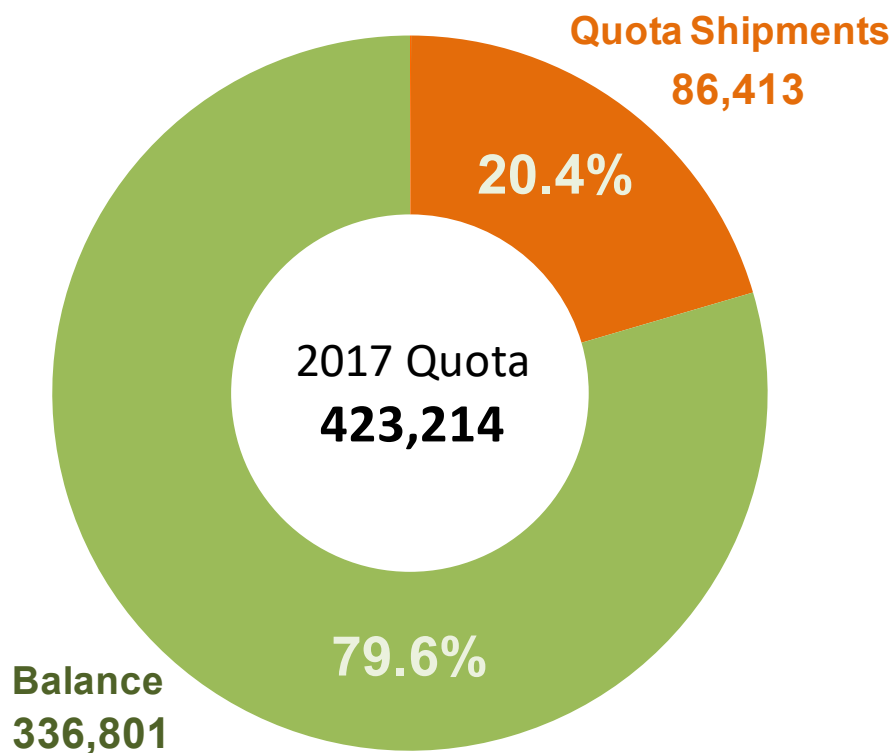


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled by each country based on the new Customs report

# Australian Beef Quota Position

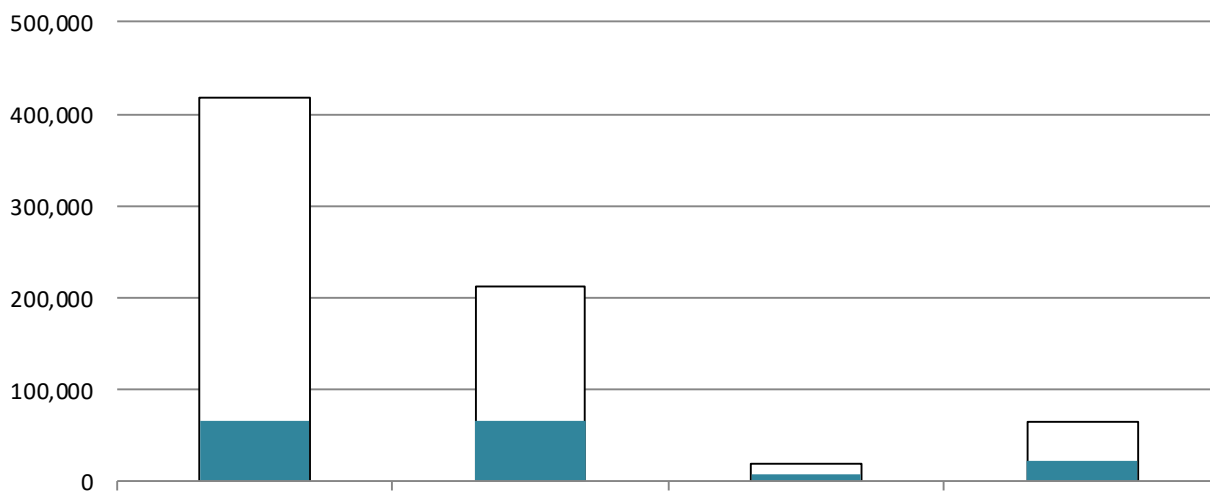
30-Apr-17

Metric Ton. Australian Department of Agriculture Statistics



## USA Quota Entries through Week Ending May 1

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	90,721,687	74,225,177	5,178,355	14,113,659
2017 YTD	66,232,661	66,977,812	7,320,440	23,105,899
% ch.	-27%	-10%	41%	64%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	<b>16%</b>	<b>31%</b>	<b>37%</b>	<b>36%</b>